

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 L-03 TRSE-00 SS-15

NSC-05 AID-05 SP-02 ( ISO ) W  
----- 094177

R 181600Z JUN 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 6000

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 4321

E.O. 11652: GDS

TAGS: BEXP, EAIR, BDIS, EC

SUBJ: CANCELLATION OF LEARJET SALE TO GOE

REF: A. QUITO 111; B. QUITO 3193 OF MAY 14, 1974;  
C. STATE 101916 OF MAY 16, 1974; D. QUITO 3373 OF MAY 21,  
1974; E. STATE 103578 OF MAY 24, 1974 AND F. QUITO 4490  
OF JULY 8, 1974

1. SUMMARY. GATES LEARJET CORPORATION, WICHITA, KANSAS,  
SIGNED CONTRACT VALUED AT US\$2.2 MILLION WITH GOE JANUARY  
1975 FOR PROVISION OF TWO LEARJET MODEL 25B AIRCRAFT FOR USE  
AS PRESIDENTIAL TRANSPORTS. GOE AT LAST MINUTE AND THROUGH  
PRESSURE TACTICS SUCCEEDED IN CANCELING CONTRACT. END SUMMARY.

2. GOE DECIDED TO PURCHASE TWO GATES LEARJET MODEL 25B  
AIRCRAFT FOR USE AS PRESIDENTIAL TRANSPORTS LATE 1974 AFTER  
APPARENTLY SUCCESSFUL LEARJET DEMO FLIGHTS. DELIVERY WAS  
SCHEDULED FOR MID-JUNE 1975. IN MID-MAY 1975 EMBASSY,  
ESPECIALLY MLO, BEGAN TO RECEIVE INDICATIONS THAT GOE  
DID NOT WANT AIRCRAFT.

3. EMBASSY NOT CERTAIN OF REASONS FOR CHANGE IN GOE  
ATTITUDE. POSSIBILITIES ARE BUDGET PROBLEMS, UNFAVORABLE  
PUBLICITY WHICH WOULD RESULT FROM DELIVERY OF NEW JET  
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AIRCRAFT TO PRESIDENT WHEN GOE HAS ORDERED AUSTERITY

PROGRAM, ACTIVITIES BY ANOTHER AIRCRAFT COMPANY, OR  
SINCERE BUT BELATED CONCLUSION THAT LEARJET NOT PROPER  
AIRCRAFT.

4. VARIOUS LEARJET PERSONNEL INCLUDING SANDOR KVASSAY, VP  
INTERNATIONAL MARKETING, AND LEARJET LOCAL REP RUSSELL  
CRAWFORD (USCIT) FROM GUAYAQUIL, MET FOR THREE HOURS IN  
QUITO JUNE 9 WITH VARIOUS ECUADOREAN AIR FORCE AND MINDEF  
OFFICIALS WITH EMBASSY REP PRESENT.

5. IN THIS MEETING GOE CLAIMED THAT DEMONSTRATION FLIGHT  
LAST YEAR WAS FLOWN IN FLAP CONFIGURATION AS YET NOT  
APPROVED BY FAA AND THUS ENDANGERED LIVES OF ALL ON BOARD,  
INCLUDING PRESIDENT, FIRST LADY, AND MINISTER OF DEFENSE.  
GOE CLAIMED CONTRACT VOID BECAUSE OF THIS AND ALSO REPORTEDLY  
THREATENED LEARJET WITH SUIT CHARGING THEM WITH ENDANGERING  
LIFE OF PRESIDENT. (NOTE: WE ARE INCLINED TO TAKE LATTER  
THREAT AS PURELY THEATRICAL AND DESIGNED TO HASTEN LEARJET'S  
DESIRE TO SIMPLY CANCEL CONTRACT WITHOUT SEEKING DAMAGES.)  
IN ADDITION, KVASSAY AND CRAWFORD ALLEGE THAT THEY WERE  
PROHIBITED FROM LEAVING COUNTRY.

6. CHARGE, ADCM AND AIR ATTACHE MET WITH KVASSAY MORNING  
JUNE 12 TO REVIEW SITUATION. KVASSAY DID NOT ASK FOR ANY  
EMBASSY ASSISTANCE AT THAT TIME. AFTER MEETING, ADCM DID  
HOWEVER TOUCH BASE WITH HIGH-RANKING ECUADOREAN AIR FORCE  
OFFICER TO INQUIRE INFORMALLY ABOUT STATUS OF CASE AND  
EXPRESS HOPE THAT MATTER WOULD BE RESOLVED WITHOUT  
INCIDENT.

7. JUNE 13 TELECON WITH CRAWFORD REVEALED THAT LEARJET  
AND GOE REACHED AGREEMENT PROVIDING FOR LEARJET RETURN OF  
GOE TEN PERCENT DEPOSIT AND GOE RETURN OF LEARJET FIVE  
PERCENT PERFORMANCE BOND. KVASSAY WAS THEN PERMITTED TO  
LEAVE COUNTRY AND DID SO.

8. COMMENT: LEARJET REPS APPEARED RELIEVED BY ARRANGEMENT  
REACHED AND SEEMED TO WISH TO LEAVE COUNTRY AND CUT LOSSES  
AS FAR AS POSSIBLE. BREWSTER

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## Message Attributes

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**Disposition Approved on Date:**  
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**TAGS:** BEXP, EAIR, BDIS, EC, US, GATES LEARJET CORP  
**To:** STATE  
**Type:** TE  
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